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RUEHLB/AMEMBASSY BEIRUT 0597  
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S E C R E T SECTION 01 OF 03 ABU DHABI 001388

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STATE FOR NEA/IR, NEA/ARP  
STATE FOR ISN/CPI, EEB/TFS  
TREASURY FOR U/S LEVEY  
NSC FOR DAVID STEVENS

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TAGS: [ETTC](#) [KTFN](#) [PARM](#) [PREL](#) [ECON](#) [PTER](#) [AE](#) [IR](#)  
SUBJECT: U/S LEVEY TALKS IRAN WITH UAEG

Classified By: CDA Martin Quinn for reasons 1.4 (b), (d).

11. (S/NF) Summary: On August 13, UAE Central Bank Governor Al-Suwaidi told U/S Levey the Central Bank had seen an increase in outflows from Iran in April and May and then a drop. He stated that this movement appeared to reflect capital flight from ordinary business people and not government funds. He speculated that the GoI would seek a safe harbor for its funds, suggesting China and Russia as likely destinations. He responded negatively to the suggestion that UAE financial institutions, such as Emirates Bank International, would increase their Iranian business, pointedly asking whether the USG intended to damage the UAE's financial system. He reaffirmed the UAE's willingness to take whatever actions were necessary under international law, but stressed the need for the UAE to consider all aspects before taking broader financial actions. In a separate meeting, Yousef Al-Otaiba later told Levey that having the U.S. list 3rd country businesses dealing with Iran would help Abu Dhabi's efforts to cut business dealings with Iran, by placing the onus on the company to decide whether to do business with Iran or with the U.S. End Summary.

12. (S/NF) On August 13, Under Secretary of Treasury for Terrorism and Financial Intelligence Stuart Levey met separately with UAE Foreign Minister Sheikh Abdullah bin Zayed Al-Nahyan (AbZ), UAE Central Bank Governor Sultan Nasser Al-Suwaidi, Yousef Al-Otaiba, Director of International Affairs for Abu Dhabi Crown Prince Sheikh Mohammed bin Zayed Al-Nahyan, and representatives from Emirates Bank International and Dubai Islamic Bank. (AbZ meeting and bank meetings septel.)

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Iran: As European banks close off, looking elsewhere  
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13. (S/NF) Levey provided Al-Suwaidi with an overview of recent actions to cut off Iranian access to funds. Major financial institutions, such as Deutsche Bank, Commerzbank, HSBC, and Standard Chartered were all cutting off their business with Iran. This action was leading to a displacement of Iranian banking activities to other regions and an active Iranian effort to evade sanctions and pressure. Levey presented Al-Suwaidi with a paper outlining Iranian activities to evade sanctions, including deceptive business practices by the Iranian Central Bank (Bank Markazi) and Bank

Melli. He also handed Al-Suwaidi a copy of an Iranian invitation to bid for two nuclear power plants in Iran, giving an Austrian Bank account number. When Levey checked with the Austrian bank, he discovered that the Iranian MFA had opened the account for its diplomats at the International Atomic Energy Agency.

¶4. (S/NF) Al-Suwaidi noted that the Central Bank had seen an increase in capital flows out of Iran in April and May and then a drop-off. He noted that it appeared to be capital flight by ordinary Iranian business people, who were "running away." The UAE was not seeing official money flowing. He added that the UAE was seeing trade finance and satisfying open letters of credit. He stated that Iranian Central Bank, Bank Markazi, had no accounts in the UAE, except, possibly, indirect accounts with Iranian banks. Levey questioned that assumption, noting that Bank Markazi had relationships with commercial banks in other countries and took efforts to disguise its operations. Al-Suwaidi promised to look into the issue, but thought "it would be surprising." Al-Suwaidi also stated that "it would be natural" for the GoI to try and avoid sanctions and move its money "from where it would be confiscated or frozen" to safer locations, speculating that China and Russia would be the "most secure places" for Iranian money.

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Emirates Bank International  
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¶5. (S/NF) Levey explained USG concern that Iranians would seek to divert their financial activities to the UAE, given the historical trade ties between the two countries. He

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added that the USG had information that Emirates Bank International (EBI) was increasing its business with Iran. He wanted to share this information with the governor, not because we had information on any illegal EBI activities, but because of the reputational risk this would pose to the UAE banking system as other financial institutions cut back their exposure to Iran. The governor first expressed surprise, noting that EBI had the least exposure to Bank Sepah. Al-Suwaidi then reacted as if he interpreted Levey's remarks as a threat. He pointedly asked whether the USG wanted to "damage our financial institutions and the UAE economy?" He warned that such action would blow back on U.S. interests, especially since the UAE ran a significant (\$8 billion) trade deficit with the U.S. Levey stressed that the USG did not want to damage the UAE economy, but was trying to work together to meet a mutual threat. Al-Suwaidi said he would try to convince EBI to be careful.

¶6. (S/NF) Al-Suwaidi later explained that the UAE shared concerns about a nuclear armed Iran, but that the UAE needed to weigh its financial actions "from all angles" before deciding how to react. In a subsequent meeting, Al-Otaiba urged Levey to continue sharing information about Iranian efforts to use the UAE financial system with the Governor and the MFA "as early as possible." He asked about the status of potential U.S. legislation sanctioning third-parties dealing with Iran. He argued that it would be much easier for the UAE, if the U.S. put together a list of companies doing business with Iran. The government could then approach UAE companies on that list and give them the choice of access to the Iranian market or the U.S. market. (Comment: Al-Otaiba's suggestion that the USG list UAE companies dealing with Iran runs somewhat counter to the UAEG's oft-stated preference for dealing with issues quietly. It does, however, fit in with the UAE's concern about having "cover" to take actions against Iran, whether UNSCR cover or something else. If the USG threatened to "name and shame" UAE companies, neither the Iranian, nor the companies could blame Abu Dhabi. End Comment.)

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## Upcoming UNSC Actions

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¶7. (S/NF) Al-Suwaidi asked about the status of any future UNSCR increasing sanctions on Iran. He was particularly interested in any potential impact on Bank Melli, which has branches in the UAE. Levey replied that this would be a UNSC decision, but that should an action be taken against Bank Melli, it would likely be more significant, since Bank Melli had a larger international presence than Bank Sepah. Al-Suwaidi said that should the UN designate Bank Sepah, the UAE would act in accordance with its international obligations.

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## Will Pressure Work on Iran?

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¶8. (S/NF) Levey separately asked both Al-Suwaidi and Al-Otaiba for their thoughts about the impact of sanctions on Iran. Al-Suwaidi stated that he thought the pressure would force Iran to change its policy and "retrench." Al-Otaiba commented that Iran was opaque, but that it was possible to see increasing dissatisfaction, such as with recent gasoline riots. Al-Otaiba also commented that the bilateral USG approach and the multilateral UNSCR approach complemented each other.

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## North Korea

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¶9. (S/NF) Al-Suwaidi asked for an update on USG actions against North Korea. He noted the UAE has still frozen the accounts of Tanchon Commercial Bank and asked whether the UAE was "liable" (to law suit). He expressed concerns that the USG would lift sanctions for political purposes. Levey noted that money laundering designations were based on a financial institution's actions and were designed to change the conduct.

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## MENA/FATF

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¶10. (SBU) U/S Levey asked Al-Suwaidi about the UAE's upcoming presidency of the MENA/FATF organization. Al-Suwaidi expressed his hope that the UAE would be a strong leader, but put in a request for U.S. assistance in organizing training events for the region. If the U.S. could provide "experts," it would make the coming year "exciting" for the MENA/FATF members. Levey committed to being a "good partner" and supporting the MENA/FATF.

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## Cash Couriers

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¶11. (SBU) U/S Levey asked Al-Suwaidi about the status of the USG-proposed joint cash courier operation. Al-Suwaidi segued into a brief discussion of the "gaps" between the U.S. system and the UAE system, noting that the UAEG had more sophisticated detection equipment. He then asked for a "team of experts" to meet to discuss the operation. Econchief replied that there had been several expert-level meetings and that the program had been modified to respond to UAEG-stated concerns. U/S Levey again pushed for an answer. Al-Suwaidi, noting that most members of the National Anti-Money Laundering Committee were out of the UAE, said he would endeavor to get a response by early September.

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## Sovereign Wealth

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¶12. (C) In a separate August 13 meeting, Al-Otaiba asked Levey about the current U.S. focus on "Sovereign Wealth Funds." He noted that the UAE was receiving "mixed messages" from the U.S. regarding foreign investment, with the administration welcoming it and Congress sending a "more protectionist" message. He noted that the UAE wanted to avoid a repeat of its DP World experience. He solicited Levey's thoughts about how the UAE could plan for any potential future risk to its investments. He stressed that Abu Dhabi's investments were "purely commercial" and "not political," and that the Emirate wanted to be sure its investments would not be "collateral damage" in any efforts to deal with potential problems from other investors. Levey noted that Treasury DAS Ahmed Saeed would be visiting the region in September with Treasury's experts on the issue and urged Al-Otaiba to consult with him.

¶13. (U) Treasury has cleared this message.  
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